

# STATE OF MICHIGAN COMMISSION OF AGRICULTURE MEETING MINUTES

## CALL TO ORDER AND ROLL CALL:

Chairperson Norman R. Veliquette called the regular meeting of the Michigan Commission of Agriculture (MCA) to order at 1:31 p.m., May 6, 1997. Meeting was held in the Dean M. Pridgeon Room, Michigan Department of Agriculture (MDA), Ottawa State Office Building, Lansing, Michigan. Commission Secretary Jordan Tatter called roll.

### ***Commissioners Present:***

Norman R. Veliquette, Chairperson  
Douglas E. Darling, Vice Chairperson  
Jordan B. Tatter, Secretary  
Deanna Stamp

### ***Commissioner Absent:***

Shirley A. Skogman

A quorum was present to do business.

### **MDA Staff Present** (during portions of the afternoon):

Daniel J. Wyant, Director  
Keith E. Creagh, Deputy Director  
Robert G. Craig, Director, Office of Agriculture Development  
David Charney, Emergency Management Coordinator  
Jack Knorek, Environmental Stewardship Division  
Barbara Hensinger, Acting Director, Environmental Stewardship Division  
Doug Sheridan, Office of Agriculture Development  
Dr. Kurt Thelen, Manager, Office of Pollution Prevention, Environmental Stewardship Division  
Jean Valley, Executive Secretary to the Commission

### **Legal Counsel:**

Jann Ryan Baugh, Assistant Attorney General

### **Others Present** (during portions of the afternoon):

Brad Deacon, Executive Office of the Governor  
Tom Frazier, U.S. Senator S. Abraham's Office  
Jane Hardisty, State Conservationist, USDA/Natural Resources Conservation Service (NRCS)  
Ron Nelson, Michigan Farm Bureau (MFB)  
Virginia Zeeb, Clinton Conservation District

## APPROVAL OF AGENDA:

There was consensus to approve the agenda as printed.

## **APPROVAL OF MINUTES:**

### **MOTION:**

Commissioner Darling moved that minutes of the April 8-9, 1997, regular meeting of the Michigan Commission of Agriculture be approved. ***(Seconded) Motion carried unanimously.***

**NEXT MEETING:** The next regular meeting of MCA will begin at 4:00 p.m., June 10-11, 1997, at Franklin Inn, Bad Axe, Michigan. Staff will arrange tours of local agricultural facilities prior to the meeting.

## **APPROVAL OF COMMISSIONERS' PER DIEM AND TRAVEL:**

### **MOTION:**

Commissioner Tatter moved that per diem and travel expenses be approved for the following Commission-related operations:

April 10, 1997--Southeast Michigan Environmental Health Directors Meeting, Monroe, Michigan: Commissioner Douglas E. Darling;

April 18, 1997--Town Meeting with Senator Spencer Abraham, Monroe, Michigan: Commissioner Douglas E. Darling;

May 5, 1997--Michigan Drinking Water Celebration, Lansing:  
Commissioner Douglas E. Darling; and

May 8, 1997--MDA Southeast Michigan Tour--Commissioners Douglas E. Darling and Deanna Stamp.

***(Seconded) Motion carried unanimously.***

## **APPROVAL OF DIRECTOR'S OUT-OF-STATE TRAVEL:**

### **MOTION:**

Commissioner Darling moved that out-of-state travel be approved for Director Daniel J. Wyant to participate in the following:

April 30-May 1, 1997--Midwest Association of State Departments of Agriculture (MASDA) Livestock Meeting, St. Louis, Missouri;

May 4-6, 1997--Food Marketing Institute Food Showcase, Chicago, Illinois;

July 12-16, 1997--MASDA Meeting, Columbus, Ohio.

***(Seconded) Motion carried unanimously.***

## **COMMISSION RESOLUTIONS:**

### **MOTION:**

Commissioner Tatter moved that resolutions honoring the following employees

upon their retirement from MDA (Attachment A) be approved with the Commissioners' thanks and best wishes for their future endeavors:

Agriculture Development, Office of  
Joyce Blades

Animal Industry Division

Jerry Edward Abel

Dr. Freeman Ray Hayes

Environmental Stewardship Division

Sara Johnson

William Eugene Lasher, Jr.

Dr. Fred Nurnberger

Finance and Technology Division

H. Ronald Webster

Food and Dairy Division

Ted Graban

Roger Pamment

Brenda Sue Rhodes

Human Resources Division

Barbara J. Renner

Laboratory Division

James Henry Garlick III

Carol Ann Hanson

Lyle L. Swain

Patricia Jeanne Thuemmel

Pesticide and Plant Pest Management Division

Harvey D. Marlowe

Ronald Priest

Bruce John Wildie

***(Seconded) Motion carried unanimously.***

Director Wyant expressed appreciation for contributions made to this department by retiring employees. Projections were that 50 percent of MDA's 84 eligible employees would take advantage of the early retirement program; however, as of today 60 have decided to retire. In comparison, percentage of MDA employees retiring is higher than for several other state departments.

### **COMMISSIONERS' COMMENTS:**

Commissioner Stamp reported planting season is progressing well in the Thumb. Sugar beets are in and about one-third of the corn is planted; planting conditions have been favorable.

Volume premiums for milk are becoming a reality; Michigan Milk Producers Association has a premium plan to be implemented June 1,

Commissioner Darling reported planting is progressing nicely in southeast Michigan with approximately 50 to 60 percent of the corn planted.

A major local concern is Chicago Board of Trade's vote to drop Toledo as a point of delivery. Subsequently, the Commission on Trade took action to extend comment period on the proposal for 60 days. Loss of Toledo will negatively impact the grain market pricing structure for much of Michigan (particularly the southern half), Ohio and Indiana. (Personally, his new crop 1998 futures contract was decreased by 10-cents per bushel.) Loss to the agricultural economy in Monroe County (based on 1995 production) for corn and soybeans will be \$2.38 million and more than \$8 million for the seven-county area in southeast Michigan if there is a 20-cent/bushel loss in the basis. Impact on grain terminals will be significant if they drop price and growers take their grain to other terminals. He visited with Senator Spencer Abraham about this problem/concern.

Commissioner Tatter reported on his agriculture-related activities since the last meeting (Attachment B is his comments). He distributed copies of an ad initiating a national search for a food processor to move into Hanson Cold Storage Company's plant in Hartford, Michigan, and his opinion editorial article, "Seasonal Production Refrigerated Warehousing Alive and Well," printed in the April-May 1997 issue of Frozen Food Digest (copies on file in MCA office).

Referring to a letter from People for the Ethical Treatment of Animals (PETA) regarding tuberculosis (TB) in elephants and possibility of its transmission to humans, Commissioner Tatter asked that Dr. H. Michael Chaddock provide scientific/educational information to the public to dispel PETA's effort to spread fear at Michigan festivals and fairs. (Copy of letter on file in MCA office.)

Commissioner Veliquette referred to the Director's written report (Attachment C) on the visit of Vincent Parris, et al., to corporate headquarters of Cargill, General Mills and Pillsbury and stated he believed this type of activity may provide better information on how MDA may be able accomplish more with these companies than what is achieved through trade shows. He supports this program as these corporations can make a big difference in Michigan's agricultural economy.

### **USDA/NRCS:**

Director Wyant introduced Jane Hardisty to the Commissioners and welcomed her to Michigan. Ms. Hardisty reported that in recent years NRCS has restructured, streamlined and reengineered its operations and she does not anticipate further restructuring in Michigan. NRCS programs will be operated from a watershed approach. Field offices are structured to work as a team within Michigan's seven watersheds. With limitations of Farm Bill mandates, NRCS must depend upon partnerships to meet its requests for assistance and services.

NRCS's primary interest continues to be agriculture and it works closely with MDA's Environmental Stewardship Division on ways to support the conservation districts. The 1996 Farm Bill recognizes conservation districts as the main grassroots group for identifying resource needs. NRCS continues to support districts' leadership and programs and in work with the state and other groups so efforts are not duplicated and more can be accomplished with available funding.

In shifting to a watershed basis, NRCS is encouraging conservation districts to share staff training, education, and other activities. Limited funding in districts causes some difficulties. A

watershed concept provides an ecosystem approach to pull together ecological, environmental, and natural resources issues. Boundaries were based on similar resource issues, resource conditions, soil types, drainage and erosion problems, and cropping rotation. Intent was to put together similar concerns to be addressed. An effort was made to keep counties intact when determining boundaries of the watershed. It is her hope that MDA and Department of Natural Resources (DNR) will move to a watershed approach.

Counties are beginning to work together to designate priority areas and apply for Environmental Quality Incentive Programs offered through the 1996 Farm Bill. Strategic planning with local people is required to determine resource needs prior to applying for funds; money is put where there is greatest need. During this first year of the program, \$4.2 million was brought to Michigan for conservation practices.

## **INTRODUCTIONS:**

Commissioner Veliquette introduced Douglas Sheridan, student intern in the Office of Agriculture Development. Mr. Sheridan is a Michigan State University (MSU) student majoring in animal science and agri-business.

Mr. Sheridan will work with Robert Craig on beef, sheep, cattle, pork alliance issues, and the livestock component at the Michigan State Fair.

Mr. Wyant also introduced Barbara Hensinger, acting director of the Environmental Stewardship Division, and Jack Knorek. Dr. Kurt Thelen and Messrs. Knorek and Creagh will accompany MCA on the tour of Jack Anderson's managed rotational grazing system and the Stony Creek Watershed project in Clinton County.

## **ADJOURN:**

Chairperson Veliquette adjourned the first meeting of the May session of MCA at 2:18 p.m. Commissioner Shirley Skogman joined the other Commissioners and staff for the tour of the Stony Creek Watershed project.

**CALL TO ORDER:** Vice Chairperson Darling called the second meeting of the session to order at 8:37 a.m., May 7, 1997.

### ***Commissioners Present:***

Douglas E. Darling, Vice Chairperson  
Jordan B. Tatter, Secretary  
Shirley A. Skogman  
Deanna Stamp

### ***Commissioner Absent:***

Norman R. Veliquette, Chairperson

A quorum was present to do business.

### **MDA Staff Present (during portions of the day):**

Daniel J. Wyant, Director

Keith E. Creagh, Deputy Director

Celeste Bennett, Motor Fuel Quality Coordinator, Laboratory Division

Dr. H. Michael Chaddock, State Veterinarian and Director, Animal Industry Division

David Charney, Emergency Management Coordinator

Dr. Vicki Chickering, Animal Industry Division

Robert G. Craig, Director, Office of Agriculture Development

Jeanne Davis, Animal Industry Division

Katherine Fedder, Director, Food and Dairy Division

Barbara Hensinger, Acting Director, Environmental Stewardship Division

MDA Staff (Continued):

Robert Kaczorowski, Director, Human Resources Division

David Pike, Director, Finance and Technology Division

Vicki Pontz-Teachout, Director, Office of Legislative Liaison

Kenneth Rauscher, Director, Pesticide and Plant Pest Management Division

Douglas Sheridan, Office of Agriculture Development

Dale Sherwin, Director, Office of Agriculture Policy and Special Projects

Dr. Larry Sullivan, Animal Industry Division

Dr. Kurt Thelen, Manager, Office of Pollution Prevention, Environmental  
Stewardship Division

Wayne Whitman, Right to Farm Program, Environmental Stewardship Division

Jean Valley, Executive Secretary to the Commission

Dr. Michael VanderKlok, Animal Industry Division

Thomas Whalen, Director, Laboratory Division

Denise Yockey, International Marketing Manager

## **Legal Counsel**

Jann Ryan Baugh, Assistant Attorney General

## **Others Present (during portions of the day):**

Robert Baldwin, Big Rapids

Dr. Margaret Benson, MSU

Sue Bila, Michigan Festivals & Events Association (MFEA)

Dr. George Burgoyne, DNR Wildlife Division

Brad Deacon, Executive Office of the Governor

Scott Everett, MFB

Mike Frederick, Senator George McManus's Office

Ron Grimes, Senator George McManus's Office

Dr. Larry Hamm, MSU

Charles F. Kline, Northern Michigan Fairs and Racing Association

Dennis Knapp, Michigan United Conservation Clubs

Dr. Arlen Leholm, MSU

Ron Nelson, MFB

Dr. Larry Olsen, MSU

Kyle Randall, Michigan Sportsmen's Congress

Dr. Thomas P. Rippy, Senior Investigator, USDA/APHIS/REAC

Craig L. Stefanko, Michigan Elk Breeders Association

Laura Thomas, Muchmore, Herrington & Smalley

## **COMMISSION GAVEL:**

Since the previous meeting, the Commission's historical gavel and history were framed. Vice Chairperson Darling presented the gavel for viewing; it will be on display in the Dean Pridgeon Room.

## **COMMISSIONER COMMENTS**

Commissioner Skogman reported Simplot reduced its contracts with Michigan growers which leaves a lot of potato seed in the Upper Peninsula (U.P.). Simplot (Continued): dealt with each grower separately and differently. Some farmers accepted payments at less than their contract, some sold seed for cattle feed, and in one case Simplot fulfilled its contract after intercession by the local congressman; however, no one has received payment.

There are a lot of seed and table stock potatoes in the U.P. Many farmers have requested a diversion; however, some object (mostly those who sold their potatoes). She has concern for farmers who are unable to sell their potatoes; some will not plant this year and are quitting. Wisconsin and other states are affected similarly; some growers sold their equipment and rented their land. A potato grader in her area ceased operations and auctioned his equipment; proceeds from sale were so low he lost considerably.

Commissioner Skogman supports the proposed increase in the potato assessment. She commended the potato commission for its excellent work.

With the exception of dairy farmers, farm economy for the U.P. is not good. Reports about the U.P. laboratory closing have been in the newspaper although there seems to be little public reaction to it. Meetings are to be scheduled about the closing and Commissioner Skogman was interviewed by the local TV station about effects this will have on the U.P.

Minutes from the Menominee U.P. Soil Conservation District report Purina plans to establish a 1,400-head dairy operation in Menominee County. Also, there are rumors of two or three other large dairy operations being established. Menominee County will hold meetings on deer management and set up six deer-exclusion enclosures in hay and corn fields. She is interested in attending the deer management meetings and knowing results of the deer-exclusion experiment.

Apparently, the lease agreement [Esky Fasttrack] has been executed as [auto] racing began at the U.P. fairgrounds. It is hoped this will be a profitable endeavor for the fair.

Regarding invitations to retiree recognition luncheons and open houses, Commissioner Skogman asked if MCA will be represented. Director Wyant stated Commissioners are invited to attend as personal schedules permit; Executive Office staff attends and represents MCA.

Commissioner Tatter read a letter (included in Attachment B) from Michigan Department of Treasury to J S O Associates, Great Neck, New York, about the single business tax (SBT). J S O purchases cherries and blueberries in Michigan and may or may not be required to pay this tax. Treasury's letter is unfeeling, uninformative, demanding, and an inappropriate way to handle customers. There is a triggering mechanism for SBT and letter should indicate amount where liability begins. He and Chairperson Veliquette have discussed this issue at previous

meetings. He suggested MDA contact Treasury and Governor's Office to change this type communication before Michigan loses customers.

Director Wyant reported MDA discussed the SBT issue with Senator McManus and will follow up on the matter.

## **DIRECTOR'S REPORT:**

Attachment C is the written Director's Report for May 1997.

Director Wyant introduced Dale Sherwin, Director of Agriculture Policy and Special Projects. Mr. Sherwin has extensive background in agricultural policy, experience in state and federal government, and served with USDA and MFB. Mr. Sherwin's responsibilities include liaison responsibilities with Washington to follow national legislation and agricultural issues outside the purview of MDA's day-to-day management; e.g., SBT issues related to how co-ops are treated, food processors (transportation and storage), and nurseries.

Customer Service Training. Ms. Hensinger is MDA's liaison in the MDA-Department of Environmental Quality (DEQ) partnership to create a Customer Services Academy (recommended by Seccia Commission). Initiation of the academy is timely as state departments address reorganization and impact of early retirements.

Ms. Hensinger reviewed specifics of the program. Leadership Kickoff Session will be May 15-16 and will cover problem-solving methods and establish cultural standards and visions about customer services in both agencies. Executive leadership from all state departments were invited to attend the Leadership Kickoff. Attachment D is an overview of Ms. Hensinger's remarks and proposed itinerary for the kickoff.

Food Marketing Institute (FMI) Show. Director Wyant, Mr. Craig, Vincent Parris, Debra Merrill, and Denise Yockey helped Michigan food exporters showcase their products at the FMI Show on May 4-6. Event included marketing seminars, trade show, and an international show (US Food Export Showcase); approximately 27,000 people attended including many foreign food buyers. Michigan exhibitors have increased from six in 1993 to 16 this year. There was representation from fruit, vegetable, dairy, and baked goods companies. MDA's Office of Agriculture Development partnered with the Montcalm-Gratiot Renaissance Zone in one booth.

Mr. Craig reported the Renaissance Zone concept was touted to attract food and agricultural processors to Michigan. Other states' departments of agriculture have pavilions to promote their products at FMI and it is important that MDA be represented; however, we were one of the few focusing on attracting processing firms to the state.

Ms. Yockey reported in 1996 Michigan Jobs Commission (MJC) and MDA contributed approximately \$17,000 to defray costs of booths, etc., to participating Michigan companies. Those companies reported \$2 million show-related sales (\$118 return for every dollar MDA/MJC invested).

Director Wyant encouraged the Commissioners to attend next year's show. Commissioner Tatter emphasized, again, that while these efforts are made to encourage sales of Michigan-produced products, there is need to improve Treasury's methods for dealing with



out-state companies related to SBT which can discourage their doing business in Michigan.

## **DNR REPORT ON DEER MANAGEMENT:**

Dr. George Burgoyne, Chief of the Wildlife Division, DNR was introduced by Director Wyant. He distributed and reviewed DNR's proposals for long-term deer management (Attachment E) which include recommendations to increase harvest of antlerless deer, quality deer management experiments, special hunting opportunities, and technical changes. The Natural Resources Commission (NRC) will take action on the recommendations on May 8.

K. L. Cool, Director, DNR, commented on the excellent relationship developed among the affected interest groups who share goals to: (a) reduce vehicle-deer accidents; (b) reduce impacts on agriculture; (c) achieve a balance between numbers of does and bucks; and (d) increase size of antlered animals. Comments received on recommendations are positive; MCA was requested to make comments.

Commissioner Tatter commended Mr. Cool and Dr. Burgoyne on the recommendations. He suggested extending the special Menominee County rules for hunting antlerless deer into the potato-growing area of Dickinson County.

Commissioner Skogman supports the proposal and hopes the early hunting season in Menominee County is successful. She does not believe deer taken on block permits in November are the ones damaging agricultural crops during the summer and recommends an earlier season to harvest those deer. She would like the issue of deer baiting addressed and suggested if baiting is not allowed after December 31 nature will reduce the population. Commissioner Skogman also is concerned about crop diseases; e.g., potato late blight, being brought into the area in the deer baiting products.

Commissioner Stamp spoke in support of the program and if successful, would like the special early season in Menominee County expanded into other areas of the state. She also expressed concern about deer baiting as it is a good way to spread disease among deer along with the possibility of transmitting disease to livestock.

Mr. Cool will inform the NRC of MCA's concerns about baiting and feeding.

Kyle Randall, Michigan Sportsmen's Congress, believes sportsmen will find the program overly aggressive. He believes a partnership is needed between sportsmen and landowners to correct the problem and does not believe sportsmen will support expanding these programs without some measurement of their effectiveness.

Dr. Burgoyne said there is no intent to destroy the deer herd to protect agriculture. Herd will be managed to develop a quality herd as well as to provide recreational opportunity, reduce vehicle-deer accidents, and reduce agricultural damage. DNR will work with sportsmen's groups, MFB, and others to reduce the herd to a biological and socially acceptable level.

Included in Attachment E is a summary remarks by Messrs. Cool, Burgoyne, and Randall.

## **DIRECTOR'S DEPARTURE:**

Director Wyant left the meeting at 9:45 a.m. to attend the Governor's Cabinet meeting. Deputy Director Keith Creagh represented the Director during his absence.

## **RECESS AND RECONVENE:**

Vice Chairperson Darling recessed the meeting at 9:46 a.m. and reconvened it at 9:50 a.m.

## **LEGISLATIVE REPORT:**

Attachment F is a copy of the May 1997 Department of Agriculture Bill Status Report. Vicki Pontz-Teachout reviewed the report and provided additional information on the following bills (summary of comments included in Attachment F).

H.B. 4239, Pet Sterilization

H.B. 4568, H.B. 4569, H.B. 4570, H.B. 4571, H.B. 4572, rBST Labeling Bills

H.B. 4634, Food Products, and H.B. 4660, Ag Products

S.B. 93, Land Division Act

S.B. 345, Land Division

MDA Budget

Drain Code

Commissioner Tatter thanked Ms. Pontz-Teachout for her excellent presentation to the Michigan Frozen Food Packers Association on April 23 in St. Joseph, Michigan.

## **DIRECTOR'S REPORT**

Commissioners Questions Regarding Director's Written Report. Commissioner Tatter asked if Dr. Anderson of MSU could be named state climatologist

(Continued): when Dr. Fred Nurnberger retires so program can continue. Mr. Creagh said MDA has had discussions with MSU on how to provide services after Dr. Nurnberger retires.

Referring to the Food and Dairy Division report regarding nonpayment for potatoes (page 5), Commissioner Tatter asked if dealer could be liable under the Perishable Agricultural Commodities Act. This will be checked and an answer submitted to the Commissioner.

Commissioner Tatter voiced objection to bringing Karnal bunt (research) samples into the Niles (Michigan) Laboratory. If we don't have the disease in Michigan, we should not bring into the state; he suggested tests be done in states having the problem. Mr. Creagh explained those state laboratories may not have expertise to run the tests and there are controls and regulatory oversight in place to protect against Karnal bunt getting out of the laboratory into Michigan's environment. If desired, MDA can prohibit this study and action will be taken to stop tests.

## **ANIMAL INDUSTRY TB in Elephants.**

Dr. Chaddock was asked to report on TB in elephants. An out- DIVISION: break of TB occurred in elephants owned by company based near Chicago; owner contracts the animals to fairs and other entertainment events throughout the country. Illinois quarantined elephants to owner's facility, and USDA is working with the state on the matter. TB in elephants is not an APHIS program; however, APHIS has provided advice to Illinois on handling this situation. At last report, various treatments were being administered to the animals. This is a public and animal health issue as well as an economic issue. Elephants are expensive and if ordered destroyed, compensation would be a major issue.

Elephants are part of county fairs and circus acts in Michigan. There is no reason to

discontinue these acts as elephants coming into the state are required to have interstate health certificates; however, that does not include a TB test because there is no approved TB test for use on an elephant. If Michigan requires the test, it must be determined what TB test will be given, how it is administered, and what should be done if a test is positive.

At this time animals are required to be examined by an accredited veterinarian in the state of origin, proper interstate health certificates are to be made for the given exhibit or circus in a state, and those certificates are examined at the time of arrival by the fair (P.A. 466 gives fair management the responsibility to assure animals have proper interstate health certificates).

Since Illinois placed the quarantine, elephant owners want to know what can be done to get out of a quarantine and want indemnification for not being able to meet their contracts for these animals.

### **AGRICULTURE DEVELOPMENT:**

Michigan State Plan for Alternative Fueled Vehicles. Copies of the final plan had been distributed to MCA; copy is on file in the Commission Office.

Mr. Craig reviewed the task force's findings and recommendations regarding tax preference, treatment of sales, public education, infrastructure, and regulation needed. He called attention to various recommendations, particularly the state's policy to be fuel-neutral, tax policies, market barriers, etc.

Vice Chairperson Darling asked Mr. Craig to comment on the federal fuel excise tax on ethanol. Mr. Craig said this is a concern because eliminating the federal ethanol incentive (expires in 2000) will be detrimental to the ethanol industry. The Governor's Ethanol Coalition, Michigan Corn Growers Association, and MFB are working to maintain the incentive.

### **LABORATORY DIVISION:**

Reid Vapor Pressure Standard. Celeste Bennett reported EPA approved the 7.8 Reid Vapor Pressure program for the 1997 ozone season as part of the state's implementation plan. A copy of an E-mail message from DEQ on EPA's ruling was distributed and is on file in the MCA office.

Gasoline Octane Report. Celeste Bennett presented an abbreviated version of a report on octane findings in Michigan which she will make at the Michigan Weights and Measures Association Annual Meeting in mid-May. A significant number of violations regarding octane rating exists in Michigan; goal of the new surveillance program is to reduce rate of violations to below two percent, comparable to that of other states. Testing program is good; however, marketplace is difficult to control. Attachment G is a summary of her remarks and a copy of the slides she presented.

### **ANIMAL INDUSTRY DIVISION :**

First Annual Select Elk Auction Report. Dr. Larry Sullivan introduced Craig Stefanko, President, Michigan Elk Breeders Association, who reported on the first annual elk auction held February 14, 1997, at MSU. He indicated the association has an excellent relationship with MDA and appreciates Dr. Sullivan's assistance. Product value is high and demand is increasing; consequently, industry is growing rapidly. Michigan farmers

are beginning to consider elk an alternative to more traditional agricultural activities, and raising elk can provide a profitable use of less-productive farmland. While risk is significant, return on investment is high and it provides opportunity for persons with small farms to continue in agriculture.

Michigan Elk Breeders Association has been proactive with MDA and DNR in developing relationships for monitoring health of animals and developing more producer-friendly regulations. The association desires to comply with state requirements and appreciates MDA's and MSU's assistance in this regard.

Attachment H is information Mr. Stefanko presented regarding the sale.

Mr. Creagh suggested Mr. Stefanko communicate with Mr. Craig for assistance in developing the elk industry in Michigan.

### **AMENDMENT OF AGENDA:**

There was consensus to amend the agenda and hear the report on dairy cattle deaths at 1:45 p.m.

### **MICHIGAN POTATO J. R. INDUSTRY COMMISSION:**

Ben Kudwa reported on recent events occurring in the potato industry. Simplot's 80 percent reduction in potato contracts impacts Michigan seed producers, growers, a number of cold storage plants, truckers, and 240 employees at its Grand Rapids plant. He hopes it will be possible to get the Michigan processing plant back in operation in 1998.

The potato market is very competitive and will be for about five years. The Michigan potato industry commissioned a study, "Market Development Study of Michigan's Processed Potato Industry," to determine factors needed to develop a competitive advantage for Michigan potato producers within the North American frozen potato industry. Study will address cooperatives (value-added cooperative to provide services for the Simplot plant in Grand Rapids), transportation costs, contract competitiveness, inspection fees, and other issues. Study will be completed by October 1. MSU Agriculture Economics Department, MFB's legal consultant, Michigan Potato Industry Commission and other consultants will participate in the study. Mr. Kudwa anticipates Simplot will propose dropping the contract price; however, the Michigan industry's proposal will be to establish a cooperative and a value-added approach.

Commissioner Tatter suggested study be all-inclusive regarding transportation costs including a report on the overall cost advantage to processors for transportation from the Michigan plant to their customers compared to the Idaho processing operation. He also suggested including warehousing availability and costs as most potato processors do not own storage facilities for finished products and this is very expensive on the East and West Coasts compared to storage in Michigan. Cost of delivery to plant is put back on growers; transportation costs from that point go to retailers, and Michigan's geographical location has advantages. Energy costs should also be included in this study.

**DIRECTOR'S RETURN:** Director Wyant returned to the meeting at 11:37 a.m.

### **POTATO INDUSTRY**

Commissioner Skogman asked about hearings on the assessment and Mr. Kudwa said attendance at hearings was low due to spring planting. Nationally, the (Continued): industry is in a desperate situation--prices are low at a time when an increase in assessment is being requested. The potato commission intends to move forward with a referendum if approved by the Director.

Mr. Kudwa distributed copies of a USDA announcement to purchase \$23.5 million of frozen potato products for various food assistance programs (Attachment I).

Potato crop in 1996 was the largest on record, prices are the lowest on record. It is anticipated Michigan will dump 130,000 bags. This is significant, but other states will dump more (Maine will dump one-to-two million bags and Wisconsin, 750,000 to one million). A diversion is being discussed; however, there is no consensus in the industry regarding this type disposal (Maine supports, Michigan is neutral, Wisconsin opposes, and discussions continue between western states and the U.S. Secretary of Agriculture).

Director Wyant commended Mr. Kudwa for his efforts to retain operations at the Grand Rapids Simplot plant and assured him of MDA's continued support of the potato industry in Michigan.

#### **MICHIGAN STATE UNIVERSITY:**

College of Agriculture and Natural Resources Organizational Changes. Drs. Arlen Leholm and Larry Olsen reported on recent changes in the MSU-Extension and the Experiment Station and pledged continued cooperation to the partnership between MSU and MDA. Dr. Leholm's goal is to make Extension in Michigan the best in the nation. Dr. Ian Gray and he are working closely to connect basic research, applied research, and on- and off-campus Extension and provide an interdisciplinary response to needs of the citizenry. To facilitate that connection, coalitions are being formed consisting of regional directors, department chairs, and Drs. Grey and Leholm.

Also, to better connect research and Extension, Dr. Olsen will serve as a half-time associate director for both the Experiment Station and Extension. His key role will be to assure connection among expertise teams and partners such as MDA, DEQ, DNR, and others. Partnerships and collaborations are important to maintaining Michigan's leadership role.

Dr. Olsen is pleased for his new opportunity and looks forward to continuing the partnership MSU and MDA have had through the years. He encouraged MDA to contact him if there are areas in which MSU can be of assistance.

Periodically, Dr. Leholm plans to attend MCA meetings to keep abreast of issues before the Commission.

Director Wyant expressed appreciation for the working relationship he shares with Drs. Leholm, Grey and Olsen and the help they provide him and MDA. He has extended an invitation through Dean Poston for MSU to be on the MCA agenda. Dean Poston is scheduled to meet with MCA in June.

Status of Michigan's Dairy Industry. Dr. Larry Hamm, Chairperson, MSU Agriculture Economics, distributed and reviewed a status report about the dairy industry. Attachment J is a

copy of the status report and a summary of his remarks.

## **RECESS AND RECONVENE:**

Vice Chairperson Darling recessed the meeting at 12:19 p.m. and reconvened it at 1:18 p.m.

## **FINANCE AND TECHNOLOGY DIVISION:**

MCA Budget. David Pike referred to and reviewed the Commission Appropriation

Status Report dated May 1, 1997 (Attachment K). MCA expenditures continue to be about 12 percent more than those for the same period last year. He cautioned the Commission to watch expenditures. The Director and Mr. Pike will develop suggestions to conserve funds for the remainder of the fiscal year.

Mr. Pike also provided information requested by MCA during a previous meeting about appropriations for other state commissions.

## **ANIMAL INDUSTRY DIVISION:**

Dairy Cattle Deaths. Dr. Chaddock reported a serious incident occurred in Sparta over the weekend resulting in the death of 160 heifers. While this was an unfortunate incident, the response was successful. Dr. Chaddock was notified promptly and MSU's Diagnostic Laboratory and Clinical Center were involved immediately which resulted in quick resolution of the incident.

Dr. Michael VanderKlok showed a videotape which was aired by a local TV station and reviewed the chronology of the incident. About 400 cattle were given feed that had come in contact with Dyfonate which was on equipment used to transport the feed (Dyfonate is extremely toxic to cattle). Nearly all remaining heifers in that herd were showing signs of intoxication; they were treated and are recovering. Estimated loss to farmer is \$250,000. Equipment was properly cleaned, methods were established to continue treatment, and measures to prevent recurrence were initiated at the farm. There is no threat to the public as chemical does not accumulate but is eliminated from the animals' systems. Dr. VanderKlok reiterated that the prompt response and cooperation of all involved prevented greater loss.

Commissioner Tatter suggested MDA consider a press release about preventing such incidents. He commended MDA on its role in the process and assistance to the farmer.

## **ENVIRONMENTAL STEWARDSHIP DIVISION:**

Right to Farm Program. Annual Review of Generally Accepted Agricultural and Management Practices for Manure Management and Utilization: As required by law, MCA conducts an annual review of its right to farm practices. Mr. Whitman requested MCA initiate the annual review for manure management practices; Director Wyant supports the request.

## **MOTION:**

Commissioner Tatter moved that the annual review process shall be initiated for the Generally Accepted Agricultural and Management Practices for Manure Management and Utilization. (Seconded) Motion carried unanimously.

Annual Review of Generally Accepted Agricultural and Management Practices for Care of Farm Animals. Mr. Whitman and Dr. Margaret Benson, chair of the MSU Task Force

for Care of Farm Animals, reviewed the proposed changes which are primarily editorial or incorporate legislation changes; e.g., 1996 amendments to P.A. 466 of 1988 and terminology related to fish. In addition, references to shelter were reviewed to assure they are not too unrealistic. Task force was asked to develop a ratite component and a committee was formed to write these practices. Ratite section will be presented to MCA at a later date.

Commissioner Tatter requested a list of task force members be included in the document; this will be done.

Vice Chairperson Darling referred to section on "Broilers, Turkeys, and Gamebirds" and requested quantities be deleted so this document will be consistent with other practices. There was consensus for this; numbers will be removed as requested.

The Director asked that reference to aquaculture license in the Fish section be changed to aquaculture registration as Michigan does not license aquaculture operations.

Mr. Whitman requested MCA adopt the proposed revised practices for care of farm animals; Director Wyant supports this request.

**MOTION:** Commissioner Tatter moved that the revised Generally Accepted Agricultural and Management Practices for Care of Farm Animals (Attachment L) be adopted.  
**(Seconded) Motion carried unanimously.**

## **DECEMBER COMMISSION MEETING:**

There was consensus to change location of the December MCA meeting to Traverse City so Commissioners may participate in the annual MFB meeting. Director Wyant and the secretary to the Commission will work with Mr. Laurie about holding this meeting in conjunction with MFB's annual meeting. Vice Chairperson Darling suggested Commissioners may wish to adjust its meeting dates to include the annual MFB banquet.

## **PUBLIC COMMENTS:**

Sue Bila, MFEA, reported all 762,000 copies of the 1997 brochure have been distributed. MFEA partnered with McDonald's, MC Sports, and Days Inn. ReMax Balloons recently became a partner which will provide opportunity to do live advertising as balloons float across the state. Other major distribution points for the brochure include Oldsmobile, AAA, welcome centers, and all MFEA members. Many requests came from individuals; Booth Newspapers and 30 press areas, WJR, and Channel 4 promoted the brochure.

McDonald's is expanding its promotion program with MFEA and will have tray liners depicting the four seasons in relation to agriculture and festivals and events. The Clare Welcome Center event is progressing. It appears MFEA will promote the commodity groups although more support from these groups would be appreciated. Michigan's welcome centers will be under jurisdiction of Travel Michigan in MJC on October 1; Ms. Bila is on a task force to work with them on planning for the centers and assures that agricultural tourism will be noted.

Seventy percent of the MFEA membership have events with an agricultural theme. There are nearly 2,000 festivals in Michigan and many opportunities to promote and enhance agriculture at these activities.

Ms. Bila is willing to meet with Commissioners and MDA staff to identify ag-tourism projects to be incorporated into MFEA activities. She asked the Commissioners and MDA to evaluate and make suggestions for the brochure. If funding were available for printing, she could distribute 800,000 brochures next year.

Director Wyant commended MFEA for its energetic initiatives and is pleased with MDA's strong partnership with the association; he views the festivals/events as opportunities for Michigan agriculture.

## **DIRECTOR'S REPORT**

Mr. Wyant distributed a listing of his activities since the last MCA meeting (copy included in Attachment C).

(Continued):

**Corn Referendum.** The Director met with the corn committee. Agreement was reached on a referendum process. Listings of sellers for the past three years will be requested from elevators to help develop a quality list of those who sell corn and a good representation of growers. MDA desires a mail-in voting process; corn committee concurred. Referendum is scheduled for the first two weeks in December.

**MASDA Meeting in St. Louis.** Topic of discussion was concentrated livestock facilities and issues surrounding these facilities. Other states are having severe problems related to environmental and animal rights issues and corporate farming. Many states have passed strict permitting requirements on livestock facilities and setbacks related to hog facilities.

EPA will hold a national meeting in Kansas City next week. DEQ and MDA will be represented. Topic is enforcement for concentrated livestock feeding facilities. MDA believes EPA is concerned about incidents that occurred in other states; e.g., lagoon breaking and the resulting fish kill and water contamination in North Carolina and manure contaminating groundwater in Iowa.

There was consensus at the MASDA meeting that all states are unique and all have differences. A policy was developed for MASDA to submit at the EPA meeting. This policy will request an opportunity to study: (a) diversities of the states; (b) different livestock management styles; and (c) different concentrations (sizes) and to recognize differences (not use a single approach) if EPA decides to pursue a regulatory scheme.

Wisconsin and Michigan have two of the most unique programs. Wisconsin has gone to a total watershed management basis, has a \$24 million pollution fund, and is very proactive in its approach. Michigan is unique in that it does not require permits for livestock facilities of less than 1,000-head. Our right-to-farm program allows us, through a complaint mechanism, to deal with problems on-site. Michigan advocates allowing states to be flexible in managing their own problems and not be dictated by Washington on how to manage. All the midwestern states concur with this approach.

Drs. Kurt Thelen and Tom Hoogerhyde will represent MDA and DEQ, respectively, at the Kansas City meeting.



**Director's Written Report.** Director Wyant and staff answered questions regarding the report.

Commissioner Stamp commended the Director for working out the referendum issues with the Corn Marketing Committee; she is pleased the committee is satisfied and the proposed method will meet needs of growers. She appreciates efforts to find the most fair, equitable, and sensible way to make referenda work.

**Potato Referendum.** Mr. Creagh reported the official document regarding the public hearing transcripts has not been closed. Upon receipt, Director Wyant will make the decision about holding the referendum.

Vice Chairperson Darling called for additional public comments; no one wished to speak at this time.

### **RETIREMENT:**

Secretary to the Commission, Jean Valley, announced she will retire June 1 and expressed her appreciation for the opportunity she had to work with the Commission.

The Commissioners and Director expressed their thanks and appreciation for her service through the years to MCA and MDA. Ron Nelson added his and MFB's appreciation for her work on behalf of the Commission with MFB.

### **ADJOURNMENT:**

#### **MOTION:**

Commissioner Tatter moved that the May session of MCA be adjourned.  
(Seconded) Motion carried unanimously.

The May 6-7, 1997, session of MCA adjourned at 2:40 p.m. The Commissioners spent the remainder of the day in orientation regarding MDA's reorganization and the divisions' responsibilities. Attachment E

**SUMMARY OF REPORT ON DEER MANAGEMENT BY K. L. COOL, DIRECTOR, AND DR. GEORGE BURGOYNE, CHIEF OF WILDLIFE DIVISION, DNR, TO MCA ON MAY 7, 1997, LANSING, MICHIGAN.**

Dr. Burgoyne reported DNR established a work group to consider long-term deer management. Group developed recommendations to increase harvest of antlerless deer as well as proposals for quality deer management experiments, special hunting opportunities, and technical changes. The NRC will take action on the recommendations on May 8. Dr. Burgoyne reviewed the recommendations for MCA (included in this attachment).

Mr. Cool commented on the excellent relationship developed among the affected interest groups who share goals to: (a) reduce vehicle-deer accidents; (b) reduce impacts on agriculture; (c) achieve a balance between numbers of does and bucks; and (d) increase size of antlered animals. Comments received on recommendations are positive; MCA was requested to make comments.

Dr. Burgoyne estimated in 1996 there were 300,000 applications for antlerless deer permits, more than 200,000 permits were issued, and approximately 100,000 antlerless deer were

taken. Number issued this year will probably be similar to that of last year but distribution may be different. He believes enacting the proposal can help reduce deer population to a manageable level within two years.

Commissioner Tatter commended Messrs. Cool and Burgoyne on the recommendations but suggests extending the special Menominee County rules for hunting antlerless deer into the potato-growing area of Dickinson County.

Commissioner Skogman supports the proposal and hopes the early hunting season in Menominee County is successful. She does not believe deer taken on block permits in November are the ones damaging agricultural crops during the summer and recommends an earlier season to harvest those deer. She would like the issue of deer baiting addressed and suggested that if baiting is not allowed after December 31, nature would reduce the population. Commissioner Skogman is concerned, too, about crop diseases; e.g., blight being brought into the area in the deer baiting products.

Commissioner Stamp spoke in support of the program and if successful, would like the special early season proposed for Menominee County expanded into other areas of the state. She expressed concern about the deer baiting issue as a good way to spread disease among deer and having the potential for transmitting disease to livestock.

Mr. Cool will inform the NRC of MCA's concerns about baiting and feeding. DNR's authority regarding baiting is in the area of taking of animals and methods of take; there is no regulatory authority to address feeding deer.

The proposal is socially responsible and supported by DNR biologists. The appropriate management of white-tailed deer requires a cooperative effort among private landowners, conservationists, sportspersons, DNR, and other governmental units. The dialogue effected with MUCC and MFB brought about a better understanding of issues, problems, and expectations among those having a stake in how deer are managed. Proposal is a step toward quality deer management that will meet Michigan citizen's desires. In the long term, it can make changes necessary to bring the herd in line with habitat and social needs.

Kyle Randall, Michigan Sportsmen's Congress, said he believed sportsmen will find the program overly aggressive. They are willing to help farmers handle crop damage but will not tolerate destruction of the deer herd to fix the problem in one year. In his opinion the problem was created over a number of years for many reasons. Baiting may have been a part of the problem; another was exclusion of access to private property. He believes a partnership is needed between sportsmen and landowners to correct the problem and does not believe sportsmen will support tightening these programs without some measurement of their effectiveness.

-2-

Dr. Burgoyne pointed out there is no intent to destroy the deer herd to protect agriculture. Herd will be managed to develop a quality herd to provide recreational opportunity, reduce vehicle-deer accidents, and reduce agricultural damage. Program has oversight provisions so success of the segments can be evaluated to determine if it should be expanded. DNR will

work with sportsmen's groups, MFB, and others in its efforts to reduce the herd to a biologically and socially acceptable level.

##### Attachment F

SUMMARY OF LEGISLATIVE REPORT BY VICKI PONTZ-TEACHOUT TO MCA ON MAY 7, 1997, LANSING, MICHIGAN.

Ms. Pontz-Teachout provided additional information on the following:

H.B. 4239, Pet Sterilization, passed in the House and Senate. Bill appears to meet all the Governor's concerns and it is anticipated he will sign it.

H.B. 4568, H.B. 4569, H.B. 4570, H.B. 4571, H.B. 4572, rBST Labeling Bills. At the Regulatory Affairs Committee's second meeting on these bills, the chair decided to have a work group study the bills. MDA's labeling program is in operation and working well. Three Michigan dairies utilize rBST labeling in accordance with FDA guidance. MDA has enforcement needed under labeling laws in the Manufacturing Milk Act and Michigan's Food Law. MDA opposes the bills because they are unnecessary.

Work group chairperson scheduled a meeting for May 19; MDA will attend and present the science and existing enforcement authority behind this issue.

H.B. 4634, Food Products, and H.B. 4660, Ag Products, are antidisparagement bills. Bills were introduced last session but did not receive action on the House Floor. H.B. 4634 was sent to Consumer Protection Committee; H.B. 4660 was referred to the House Ag Committee. This bill helps clarify responsibility for disparagement of an agricultural product. It will allow class action suits or joint suits from commodity organizations and/or allow a governmental agency to file on behalf of producers.

Definition of producers in bill includes those who distribute and sell in addition to those who grow, raise, and produce.

S.B. 93, Land Division Act, was vetoed by the Governor on April 1. Bill dealt specifically with the parent parcel definition and made implications of S.B. 112 retroactive to January 22, 1997.

S.B. 345, Land Division. Bill amends the Land Division Act; it deals with water and sewer requirements in accordance with DEQ rules. MDA staff will participate in work group discussions on this bill later today.

MDA Budget. House Appropriations Subcommittee met last week and reviewed MDA's budget, and the chair presented House amendments he intends to add. Date has not been set for committee meeting to make decisions. It is anticipated all state departments' budgets, including MDA's, will go into conference committee to settle differences between House and Senate proposals.

Drain Code. Work group met with all interested parties and reviewed the bill section by section. A substitute bill is being drafted to reflect changes.

A subgroup is addressing special assessment issues in the watershed section (Chapter 22).

As introduced Chapter 22 allows local units of government to use a special assessment for the planning process and implementation of a watershed plan. There are concerns about possible Headlee implications and the inability to connect assessments directly to a benefit. Subgroup review is to determine alternative funding mechanisms for planning and implementing watershed management plans.

Outstanding issues include definitive responsibility to drain commissioners to minimize natural resource impacts. Ms. Pontz-Teachout is optimistic DEQ, DNR, MDA, and agricultural and environmental interests can reach agreement on language to allow drain projects to continue and put forth a definitive responsibility to evaluate and minimize impacts on natural resources. Another issue is assessments on public lands; information is being gathered from county drain commissioners to determine dollar amount this entails and potential funding mechanisms for the state to handle its portion of county drain assessments.

It is anticipated the House Agriculture Committee hearings on Drain Code revisions will be held around the state after Legislature recesses for the summer.

## Attachment G

### SUMMARY OF REPORT BY CELESTE BENNETT ON GASOLINE OCTANE FINDINGS TO MCA ON MAY 7, 1997, LANSING, MICHIGAN.

Ms. Bennett reported on the results of octane testing in Michigan and how the issue is being addressed with the weights and measures constituency and the automotive fuel industry.

MDA inspectors have found that product advertised through special promotionals; e.g., Super Tuesdays or special times when premium prices are the same as regular, etc., are legitimate. Problems were found at stations that do not call attention to their product (through promotionals) and sell fuel as higher octane which is not.

Preprogram sampling violation rate was 50 percent for 27 samples in 1989. Samples were primarily from the Detroit area which is an intense and competitive marketplace. The percentage of violations is artificially high because samples are based on complaints from customers. MDA tests 2,000 samples annually; six percent of all product tested had violations in 1996. There are many obstacles to enforcement including the number of opportunities in the distribution system where product can be altered either intentionally and unintentionally.

Responding to Vice Chairperson Darling's question about fines levied for octane fraud, Ms. Bennett reported these are civil cases, and felony provisions were added in 1993. Subsequently, administrative fine provisions have been added. In 1994, fines totaled \$5,000. Presently fines and court costs are approximately \$50,000 annually.

Incidence of serious violations appears to be increasing so MDA implemented more on-site tests at retail activities using Zeltex octane testing equipment and delivery document reviews. There are challenges with these because audit tool (Zeltex) results cannot be used for court action and documents may be stored off-site. To address these, more on-site reviews of documents at time of sampling are being done. After a violation is found, followup testing is done more frequently to establish intent. There were five or six prosecutions in 1995.

Presently, four cases are pending executive office review and 120 letters were issued for numerous administrative fines. During 1995-96, approximately 150 letters were issued for administrative fines for octane and other problems.

A computerized system is used to track repeat violators. Changes in sampling method indicate many first-time violations. As a history is built, prosecution of violators is pursued if they are repeat offenders. MDA provides this information to the industry and enlists its cooperation. The goal of the program is to reduce violation rate to below two percent, comparable to that of other states.

A copy of slides presented are part of this attachment.

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Attachment J

## SUMMARY OF REMARKS BY DR. LARRY HAMM ON STATUS OF MICHIGAN'S DAIRY INDUSTRY TO MCA, MAY 7, 1997, LANSING, MICHIGAN.

Dr. Hamm, Chairperson, MSU Agriculture Economics, distributed and reviewed a status report about the dairy industry (included in this attachment). Regarding demand, Michigan's dairy industry is strong; it is the preferred supplier for milk for eastern U.S., it has outstanding processing plants with excess processing capacity, and it has great leadership at the processing and cooperative levels. The market for Michigan dairy products is positive, but the supply side of the business is frustrating. On May 5 the base price of milk dropped \$1.05 per hundred weight (cwt) and it is now below cost of production.

Dr. Hamm reviewed statistics in the report. Of 108 commercial dairy farms few have profitable incomes. A hidden consequence of the 1996 Farm Bill will be the complete restructuring of the production feed industry in the U.S. and the dramatic implication this will have for the livestock industry. For 30 years these industries have been built on a grain policy with governmental subsidies. The grain industry now must get its money from the market which results in higher costs to producers and puts the U.S. livestock producer in direct competition with those elsewhere in the world.

A significant reason large dairy farms are moving into Michigan is low land prices; it appears livestock enterprises are bearing the cost of land ownership. He reviewed data comparing profitability between 1995 and 1996. Net farm income across all farms is up but the average farm is negative in terms of value of crops produced on that farm (a drop in price and a drop in yield across all operations). Profitability was maintained because milk prices were \$2/cwt higher in 1996. In 1997 the industry will be fortunate if the average price for the remainder of the year is \$13.60/cwt. Unless there is an outstanding crop year and prices are substantially lower than in 1996, there will be severe financial stress. This is disconcerting because spring is late, feed production is not coming on, and the latest price drop is devastating. It is frustrating to see the most powerful market and the dairy industry suffering from nature and policy changes.

Unless there is significant price recovery during latter part of the year, there will be a significant reduction in dairy farms. There has been a 45 percent loss of dairy farms during the past 10

years, although production remained about the same. Production last year was down and may be down again this year due to economics not a lack of markets.

Deregulation creates a new competitive environment and with it comes a fundamental consolidation of people within the industry. This process is under way now; there are massive consolidations of buyers and in processing. A wave of major cooperative mergers across the U.S. has begun which has significant implications within a state. There are new competitive practices, price competition including a new pricing scheme (volume pricing which is new to Michigan), and the industry is experiencing symptoms of change associated with another 30-year cycle. It is likely pricing rules will change because of deregulations in the Farm Bill. USDA announced a new pricing scheme for milk because of the shut-down of Green Bay Cheese Exchange.

Summarizing: Michigan's dairy industry is severely stressed financially. There is nothing wrong fundamentally with the industry--it is a positive industry. Growth continues. Unfortunately, weather is causing financial stress and there are some long-term structural changes, particularly with California dominating product pricing. Economics will be stressful and undoubtedly some debates on changes in pricing rules will last for years.

Commissioner Stamp noted that many of the price declines resulted from the shift of processing on the West Coast from butter/powder to cheese manufacturing, and cheese still drives the price of all milk.

Dr. Hamm agreed, but added that within the 30-year cycle, it is a bigger issue. Two years ago, Wisconsin was moved out of the position of leading dairy state and the center of production shifted to the West; however, pricing of milk did not shift at that time but remained in Wisconsin and Minnesota. Two months ago, the price of milk shifted to where the supply was (West Coast) and the West Coast shifted the product mix out of butter/powder into cheese.

Responding to Director Wyant's question about other states' experience with volume premiums, Dr. Hamm said this issue raises the question of why there are volume premiums in Wisconsin but not in California: (1) California producers are the same size (big) and there are class one quotas. Volume premiums are driven initially by a differential in size within the production units. (2) Wisconsin has taken the approach of the Robinson-Patman Act (buyers cannot induce differential prices for the same product). Attempting to regulate, no matter what the merits, will be counterproductive because plants can be moved. The difficult votes cooperative boards have had to take this year were singularly and fundamentally the toughest in 30 years because they change the pattern of how we do business. Dr. Hamm is convinced Michigan will get through this process with the minimum amount of long-term damage to the industry, but that may not be the case in Wisconsin.

Referring to fruit and vegetable processing nationwide, Commissioner Tatter commented that an overabundance of plants with good equipment resulted in consolidations, followed by plant closings. He asked Dr. Hamm's thoughts on the latter. Dr. Hamm said this is one of the dynamics of consolidation--new larger plants are constructed generating excess capacity; older plants exist on depreciation for a while, and then massive consolidation occurs through mergers.

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I, Jordan B. Tatter, Secretary of the Michigan Commission of Agriculture, do hereby certify that I have read the minutes of the May 6-7, 1997, meeting of the Commission of Agriculture and they are a true and accurate description of the proceedings thereof.

Jordan B. Tatter, Secretary

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I, Daniel J. Wyant, Director of the Michigan Department of Agriculture, do hereby certify that I have read the minutes of the May 6-7, 1997, meeting of the Commission of Agriculture and they are a true and accurate description of the proceedings thereof.

Daniel J. Wyant, Director

Approved on June 10, 1997.

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